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THE PROPOSAL FOR A TARIFF COMMISSION

BY F. W. TAUSSIG

THE proposal for the establishment of a permanent tariff board or commission is regarded in many quarters as showing the way to a solution of the tariff question. There is much to be said for it. But there are serious difficulties and limitations, and above all troublesome questions about the character and make-up of the proposed board, and the course of action to be followed in improving our general political organization.

The first thing that needs to be borne in mind is that no tariff commission can settle policies. No administrative body of any kind can decide for the country whether it is to adopt protection or free trade, to apply more of protection or less, to enact "a tariff for revenue with incidental protection" or a system of purely fiscal duties. Such questions of principle must be settled by Congress,—that is, by the voters.

It is further to be borne in mind that the advocacy of a "scientific" settlement of the tariff does not carry us far. There are no scientific laws applicable to economic problems in the same way as the laws of physics are applicable to engineering problems. If we extend the term "science" to economics, we must remember that it can refer in this subject only to certain generalizations and to a body of useful information, not to a system of clear-cut principles or laws. Some of the economic generalizations are well established; others are of a very tentative and provisional sort. I believe some things are established concerning the working of protective duties; but I would not for a moment pretend that there is such a consensus of opinion on the subject as to give us a body of principles applicable at once in legislation, or

such as to enable us to decide at once on a method of procedure. For example, it is often maintained, not only in the United States, but in other countries as well, that the "scientific" solution of the question is that of the equalization of competition, or the equalization of costs of production. The underlying idea is that such duties shall be imposed as will equalize the difference between cost of production within a country and a lower cost of production in foreign countries. Now, I do not myself believe that this is a scientific or a commendable basis for the levying of protective duties. Consistently carried out, it amounts to saying that all industries are equally worth having; that when differences in cost are great, duties should be correspondingly high; that every industry, no matter how ill adapted to a country's natural resources or its industrial qualities, should have the equalizing protection; that we should never stop to consider what are the directions in which we can apply a country's labor and capital to greatest advantage. The equalizing proposal is perhaps a convenient and workable way of dealing with a protective system which is established and to which important industries have adjusted themselves. Quite conceivably Congress might adopt such a principle, and request a tariff commission to frame a bill based upon it. But it cannot, in my judgment, be said to rest upon any established economic principle, or to be scientific in any accurate sense of the term.

One other preliminary remark may be made. Much is said at the present juncture about the importance of a tariff commission in order to put the country in a state of industrial "preparedness." The war, it is said, must necessarily come to a close before very long, and then new conditions of international competition will have to be faced. Should we not have a careful and elaborate inquiry as to the best way of facing the coming situation? On this matter also I doubt whether a tariff commission can help us much. No one, not the ablest set of men, even though provided with any amount of money for engaging "experts," can possibly learn what sort of industrial conditions will have to be faced when the war comes to an end. We could not go to European countries for the purpose of investigation, or send agents to European countries, for the obvious reason that the respective Governments would not allow us to peer into their affairs. Even if we could send agents and get all possible information concerning existing conditions, no prediction could be made

concerning the course of development after peace. And if all these difficulties could be overcome, there would remain yet a further difficulty in the way of getting "prepared." The elaboration of a tariff bill at the hands of a commission is necessarily a slow process. The experience of the defunct Tariff Commission of 1909-12 indicates what must necessarily happen. That Commission was composed of able men, and it had large resources. It conducted excellent investigations and made valuable contributions to the understanding of some phases of the tariff. But it needed a couple of years to carry on its investigations, and even then was compelled to send in reports before the investigations were completed, because of political pressure to induce it to make some sort of early showing. If a tariff commission had the task of preparing a complete bill on all the complicated schedules, involving the vast range of our industries, it would be quite unable to report or recommend anything until a considerable period had elapsed. No; the commission project must be judged, not with reference to any immediate emergency, real or supposed, but with reference to its value as a permanent policy.

Incidentally, I venture to express my opinion that there is exaggeration in the talk about necessity of preparedness for the coming conditions of peace. No doubt there will be a jar, a shock, when the war comes to a close. But it is not likely to be at all so great as that which came at the outbreak of the war. Then there was a crash from a clear sky. Now, everybody knows that the change is certain to come, and everybody is more or less on the lookout for it. It is in the highest degree improbable that the end of the war will cause an industrial crisis in any country at all comparable to that of the midsummer of 1914; least of all in the United States. No doubt, there will be a period of readjustment, of uncertainty, very possibly of depression; then a gradual settling down to the new conditions. And as this gradual settlement takes place, I am by no means sure that any far-reaching change in international trade will be experienced. Certainly, so far as imports of manufactured articles into the United States are concerned, I see no probability that they will be greatly swelled. European industry is much more likely to be weakened than to be strengthened by the fearful strain of the war, and for some years in the future is less likely to be a formidable competitor than before. Un-

doubtedly, there will be varying conditions in different industries; but I see no indications of a portentous outpouring of exports. Whether the great struggle will eventually have far-reaching consequences upon the commercial relations between nations, it would be hazardous now to predict. But any long drawn out and slowly developing consequences of this kind can have no bearing upon the immediate tariff problem confronting the United States. To repeat, the tariff commission project should be considered without regard to the war contingencies.

Nevertheless, there is much to be said in favor of a permanent tariff commission or organization of some sort. Even though it could not solve the tariff question on a "scientific" basis, or take the tariff out of politics, or evolve a scientific tariff, or put the country in a state of preparedness, there are plenty of matters on which it could be helpful.

The one thing on which a body of this kind could be of service is in the more careful preparation of tariff legislation. It could aid in the accurate, honest, and consistent carrying out of whatever policy Congress,—that is, the party to which the voters had given control of legislation,—might wish to carry out.

Everybody knows that the traditional ways of framing tariff legislation have been in the highest degree haphazard. There has been rough and ready settlement by the committees in charge, influenced in a general way by the advice or pressure of the Administration in office. The House Ways and Means Committee has framed its bill; the House of Representatives itself has then amended its committee bill. The Senate Finance Committee has made more or less hash of the House bill, and the Senate itself has made more or less hash of its own committee bill. Then the Conference Committee of the two Houses get together. That Conference Committee, always under pressure because of short time, holding its sessions in secret, dominated by a few individuals, influenced more or less by advice from the White House, has evolved the final tariff bill. And this Conference Committee bill had to be passed once for all, if there was to be any tariff legislation whatever, in the shape in which it came from that committee.

All of the bodies concerned,—the House Committee of Ways and Means, the Senate Finance Committee, the Conference Committee, the President and the Secretary of the

Treasury and the officials of the Treasury Department,—have had a flood of statements and representations and statistics poured in on them. They have been veritably swamped by the mass of interested testimony. The legislative committees have had clerks or experts, selected hurriedly and put to work hurriedly—often selected because some one had a pull and wanted to get a job. Even the most conscientious chairmen and members of the committee could not possibly make themselves informed about the meanings of all the figures and the classifications and the specific duties and the ad valorem duties. Influential persons could “fix” legislation and work “jokers” in, and eventually bring into effect provisions which could not be said to be intended by Congress or by anyone except an occasional conniving member of Congress. Our tariffs have been settled in ignorant and irresponsible fashion. Of this we have become painfully aware, and it is natural that we should look for some sort of a remedy.

A permanent tariff commission, it may well be argued, could be, and would be, of much service. It could ascertain just what a given duty meant, just what sort of arrangement and classification was expedient, whether a particular phraseology entailed consequences not at all obvious on the surface (this has been the gist of “joker” legislation). If composed of really able and experienced men, its recommendations would have weight. No one supposes that Congress would adopt them as a matter of course. They must always be in line with the general system of industrial policy,—toward protection or toward free trade, toward making duties higher or making duties lower,—which the political conditions determined. They would necessarily be subject to change by Congress. But they would probably have a strong backing from public opinion; they would enable high-minded and conscientious members of Congress (and these constitute the majority) to ascertain the exact situation and to support careful legislation. A commission might greatly improve the situation.

There is, however, another aspect of the case to which little attention has been given in current discussion, and which seems to me of the first importance. What *kind* of a commission shall we try to set up? Shall it be an entirely independent body, like the Interstate Commerce Commission or the Federal Trade Commission, quite separate from the

ordinary administrative agencies of the Government? Shall it be concerned primarily with industrial investigations, and shall it give advice chiefly on questions of industrial policy? A commission quite independent, and giving attention chiefly to matters of policy, is most commonly advocated. And yet there are serious difficulties in the way of such a plan.

In the first place, the very existence of a permanent tariff commission whose main purpose would be to recommend tariff legislation to Congress, would be a constant *incentive to change*. The only excuse for continuing existence for such a commission would be that the tariff needed continual readjustment. The commission itself would feel bound to justify its usefulness by unremitting investigation, and it would necessarily have to make repeated recommendations to Congress. But one of the things borne in on every thoughtful observer of tariff changes, whether an economist by profession, like the present writer, or an experienced man of affairs, is that incessant changes in tariff legislation are bad. Better a low tariff once for all, or a high tariff once for all, than constant shifting or incessant suggestion of shifts. The industry of a country can adapt itself to almost any tariff system if only that system be settled and maintained. Moreover, one of the general principles or "scientific" statements which the economist can safely lay down is that such benefits as accrue from a system of free trade are secured only if low duties are maintained for a long time; and, on the other hand, that such gains as are obtainable from protective duties (by protection to young industries, for example) are secured only if the protective duties are maintained for a long time. A permanent tariff commission whose duty it was to make repeated reports and recommendations would tend to constant modification, constant change, constant unsettlement.

Hence if we are to have a commission whose duty it shall be to shape the tariff or solve questions of policy, I am inclined to think well of some such plan as that of the Tariff Commission of 1909-12. Let its duty be to make inquiries, to secure a body of accurate information, to make recommendations *for a given situation*. Let it be avowedly for an immediate purpose: to serve Congress and the committees in framing a particular piece of legislation. Such was the case also with the Tariff Commission of 1882. The recommendations of that Commission, it is true, were by no means followed in

their details when Congress passed the Tariff Act of 1883. Nevertheless, the tariff of 1883 was a better piece of legislation because of the recommendations of the Commission than it would have been without them. It is not too much to expect that even greater weight would be given to the recommendations of a similar commission in the future, and that it would serve even more to make a tariff act careful, well-balanced, consistent.

It is conceivable, however, that we should have a commission whose duties should be not solely or primarily those of report and recommendation on general policy, but which should have to do mainly with current administration and with the settlement of current administrative questions. This is precisely the situation with the Interstate Commerce Commission and the Federal Trade Commission. They have stated duties in connection with the administration of legislation. These, indeed, are their chief duties. The Interstate Commerce Commission is a sort of court. Its chief business is to decide specific matters at issue between the shippers and the railways. The new Federal Trade Commission is given jurisdiction of a similar kind. Both have, in addition, the power and the duty to make investigation and report. But it is not incumbent upon them to be mainly or continuously on the lookout for changes in legislation. They are chiefly concerned with the administration and improvement of the existing situation, and they recommend legislation only so far as their experience enforces upon them the desirability of changes consistent with the general spirit and policy of the legislation already in force.

Now there are administrative questions in connection with the tariff which are constantly calling for solution, and which at the same time bring to light the need of changes in legislation. There are vexing questions of classification under the tariff,—whether a particular piece of machinery should be classed as a manufacture of wood or a manufacture of iron, whether the chief component material of a fabric is wool or silk. There are questions on the methods of appraisal of duties. There are investigations in foreign countries relating to the values upon which ad valorem duties shall be based. There are inquiries concerning the extent of American trade in foreign countries, as well as concerning the exports which come into the United States from foreign countries. There are the strictly legal ques-

tions of interpretation which now go to the Court of Customs Appeals. There are statistics to be compiled and intelligently presented.

For all these matters we now have dispersed and complicated arrangements. We have the Board of General Appraisers, which is a sort of court for deciding on the appraisement of merchandise. The Assistant Secretary of the Treasury in charge of customs instructs collectors on the classification of customs; and the Customs Divisions of the Treasury Department have similar duties for the routine cases. There are special agents of the Treasury who go abroad and make investigations and reports. Consuls and consular agents abroad make similar investigations. The Bureau of Domestic and Foreign Commerce in the Department of Commerce has a staff of commercial agents who make reports concerning the development of American trade in foreign countries. On the other hand, the newly established Federal Trade Commission is making inquiries of its own concerning the possible development of foreign trade. There are a number of agencies working upon various phases of the same general problem.

There is thus a large body of more or less scattered information which would be useful to Congress. And notwithstanding this multiplicity of agencies, there remains information which a committee of Congress would wish to have and which can not now be had, or, at all events, is not readily accessible. A single body, having the duty of collating and co-ordinating the available information, and equipped to secure such further information as might be desired, could render important service. Further, it is at least possible that such a body should be given administrative functions or some powers of supervision and co-ordination, and should thus be of service not only to Congress but to the executive departments also.

There are two possible ways of gathering and co-ordinating the desired information. It might be done by a purely executive board or sub-department; say, a bureau consisting of permanent officials in the Treasury Department or in the Department of Commerce. Something of this sort now exists in the Bureau of Foreign and Domestic Commerce recently established in the Department of Commerce. Under this arrangement the information would be given to Congress not by an independent tariff board, but by permanent

officials regularly serving in the executive departments. The other alternative is that of an independent board having no direct administrative duties and no close affiliation with any existing department, but serving as a sort of clearing house and organizer, and responsible to Congress alone.

On general principles there is much in favor of the first plan. It would seem, indeed, that the very object for which the various officials in the different departments exist is not simply the administration of existing laws but the consideration and suggestion of improvements in them. Unfortunately, the traditions of American political life present serious obstacles to the assignment of such functions to the department officials. The higher administrative appointments in all departments are regarded as political. The personnel changes with every Administration. Not only the members of the Cabinet, but all the responsible and well-paid officials are shifted with every political overturn. That this is a serious evil, and one that grows more serious with the increasing complexity of legislative problems, is recognized by every intelligent observer. The great bane of American politics is the absence of good permanent positions. The good positions are not permanent, and the permanent positions are not good. It is only the minor posts, whose salaries are not large enough to constitute political plums, that are left to permanent officials. And yet these obscure permanent officials, because often they alone are experienced and well-informed, have great influence in shaping current administrative practice and the details of legislation. It has been said with much truth that the Government of the United States is run by \$1,500 clerks. We have sore need in our public service of a body of able, well-paid, permanent officials, whose positions shall not be affected by party changes, who shall not simply follow in mechanical fashion the precedents of their offices as they have found them, who shall be able to give intelligent advice as well as useful information.

Nevertheless, it will be urged, and with much force, that under the existing traditions of our political life the only way to secure a permanent, dignified, able, non-partisan body is through the establishment of an independent board. A board composed of administrative officials would necessarily be subordinate to the heads of the several Cabinet departments, and would be supposed to be under their political influence. To have the desired non-partisan and impartial

character, it is said that a tariff board must be composed of new appointees,—independent persons, and men of larger caliber than can now be expected as sub-officials in the departments. One's attitude on a problem of this sort is necessarily influenced by one's general expectations and hopes on political matters. Will there never be in our Federal service a permanent body of officials, experts in their subjects, not changing with every Administration? Will public service never offer a professional career to men of large ability? Will all the good places in the departments always remain within the spoils system? I can understand that, in view of the rooted habits of the present and the past, it may be concluded that permanent expert service can be got only by the establishment of a separate commission. I hope for myself that we shall learn to make our regular administrative machinery better, that we shall improve the existing system step by step instead of getting round it step by step. But it is easy to understand the attitude of those who believe existing traditions and ways, even though admittedly bad, to be so strongly intrenched as to make it hopeless to attack them directly.

The essential thing is that we should have a permanent and really non-partisan set of officials whose first duty should be to assist Congress in the intelligent and careful framing of tariff legislation. Its main function should not be to give advice to Congress upon questions of policy, or to undertake investigations which rest upon the assumption that some particular policy is to be carried out. It has been proposed, for example, to establish a tariff commission whose most conspicuous duty should be to ascertain the difference between cost of production in the United States and cost of production in foreign countries; the assumption being that this is the basis upon which tariff legislation ought to be constructed. It is tolerably certain that a tariff commission which proceeded on a basis of this sort, and whose functions were mainly concerned with investigations implying the application of this principle, would be under suspicion, and would probably be turned out whenever a political party came in by whom this particular principle was not accepted. And, similarly, any commission which is established as a move in the political game, even though not overtly for any specified sort of investigation, will be under suspicion, and will be given a cold shoulder when a new party comes in.

This was precisely the case with the Tariff Board of the Taft Administration. It was a good board, and it did good work. But it was regarded, not unnaturally, as a device of the Republicans, and it was consequently dropped when the Democrats came in. If we are really to have a useful, permanent, non-partisan board, it must be appointed in such a way, and its duties must be defined in such a way, as to make clear its purely advisory and non-political functions. Necessarily, much would depend upon its personnel; but much also would depend upon the attitude of the political parties at the time of its establishment. If its establishment is simply a political move by one party or the other, it is almost certainly doomed to failure.

It does not follow that a tariff board can be of no service whatever in guiding Congress and the country on the larger and more difficult questions of industrial policy. It could undertake investigations on the character and the development of American industries, on the conditions of competition between foreign and domestic industries, on the prospects of growth and development for American industries, which would throw light on disputed questions of industrial policy. Investigations of this sort, however, take time, and are more likely to be carried out with sole regard to the ascertainment of the facts if they are not undertaken with direct reference to any pending legislation or proposals for legislation. They should be conducted slowly, quietly, without any flourish of trumpets. They are more likely to command the respect of Congress and of the public if carried on by a board which had already established its usefulness and its impartial spirit by routine work more nearly of an administrative sort. The more ambitious and high sounding its regular duties, the less likely is it to be really successful. Let it be given mainly the duty of assisting Congress in the intelligent elaboration of whatever policy the country has decided to follow, and make no pretense of removing the determination of policy from the quarter where in the end it necessarily belongs: Congress and the voters.

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